

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 18771 01 OF 02 051234Z

44

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 ACDA-05 TRSE-00

SAJ-01 EB-07 OMB-01 CIEP-01 FEA-01 INT-05 FRB-01

NEA-06 /083 W

----- 089628

O R 051214Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6640

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY BERN

AMEMBASSY OSLO

AMEMBASSY MADRID

AMEMBASSY VIENNA

AMEMBASSY ANKARA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 18771

E.O. 11652: N/A

TAGS: ENRG, EFINE GW, US

SUBJECT: PRESS REPORTS ON NEGATIVE GERMAN REACTION TO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 18771 01 OF 02 051234Z

KISSINGER PROPOSAL

1. IN CONJUNCTION WITH SCHMIDT VISIT TO US, DIE WELT OF DECEMBER 5 CARRIES LEAD FRONT PAGE ARTICLE BY ITS WELL-INFORMED BONN CORRESPONDENT, KURT STEVES, CAPTIONED "BONN HAS RESERVATIONS ABOUT US PLANS FOR CREDITS FROM OIL COUNTRIES." ARTICLE CITES GERMAN SKEPTICISM REGARDING KISSINGER PLAN FOR \$25 BILLION MONETARY SAFETY NET. THIS SKEPTICISM IS SAID TO BE JUSTIFIED AS FOLLOWS: OIL INDUCED BOP DEFICITS HAVE THUS FAR BEEN FINANCED WITHOUT DIFFICULTIES AND BONN DOES NOT SEE THE NEED FOR ANY SUPPLEMENTARY CREDIT FACILITIES FOR THE FORESEEABLE FUTURE. BONN IS SAID TO SUPPORT THE VIEW THAT THE OIL-PRODUCING COUNTRIES SHOULD IN SOME WAY BE DRAWN INTO SHARING THE RISKS. FURTHERMORE, FROM THE GERMAN VANTAGE POINT, A MORE DIFFERENTIATED ANALYSIS OF BOP PROBLEMS IS REQUIRED, INASMUCH AS IN SOME COUNTRIES DEFICITS WHICH ARE SAID TO BE OIL-INDUCED ARE IN FACT THE RESULT OF INFLATIONARY DEVELOPMENTS. THE APPEAL FOR "OIL SOLIDARITY" MUST NOT DEGENERATE INTO A POLICY WHICH, IN THE FINAL ANALYSIS, "AIMS AT FINDING NEW SOURCES FOR THE FINANCING OF INFLATION BY OTHER PARTNERS." THE ACTUAL OIL-INDUCED DEFICITS HAVE THUS FAR BEEN FINANCED SUBSTANTIALLY BY CREATION OF ADDITIONAL MONEY, I.E., BY INFLATIONARY MEANS.

2. WITH REFERENCE TO ENERGY CONSUMPTION RESTRAINTS, AS AN ELEMENT IN A POLICY OF SOLIDARITY BY THE INDUSTRIAL CONSUMER COUNTRIES, THE ARTICLE ASSERTS THAT CHANCELLOR SCHMIDT WILL MAKE IT CLEAR IN WASHINGTON THAT IN THE FRG SAVINGS HAVE BEEN EFFECTED THROUGH THE MARKET/PRICE MECHANISM (EXAMPLE - THROUGH HIGH GASOLINE TAXES), WHILE ON THE OTHER HAND THE CHANCELLOR FINDS THE PRICE OF A PRODUCT IN SHORT SUPPLY SUCH AS GASOLINE TOO CHEAP IN THE US.

3. THE ARTICLE ADDITIONALLY CITES BUDGETARY AND CONSTITUTIONAL PROBLEMS THAT WOULD STAND IN THE WAY OF THE FRG'S COMMITMENT TO THE KISSINGER-TYPE FINANCIAL PLAN, DUE TO ITS MAGNITUDE AND THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 18771 01 OF 02 051234Z

PRESUMED FRG SHARE IN IT. IN THIS CONNECTION DIE WELT CITES ARTICLE 115 OF THE GERMAN CONSTITUTION WHICH PROVIDES THAT THE FEDERAL BUDGET SHALL NOT PROVIDE FOR BORROWING MORE FUNDS THAN ARE SPENT UNDER THE SAME BUDGET FOR INVESTMENT PURPOSES AND POINTS OUT THAT UNDER THE 1975 BUDGET THE TAKING UP OF CREDITS BY THE FEDERATION ALREADY REACHES THIS CONSTITUTIONAL LIMIT AND THUS NO FURTHER GERMAN GOVERNMENT

BORROWING FOR THE KISSINGER SOLIDARITY FUND IS
POSSIBLE. (COMMENT: ARTICLE 115 OF THE GERMAN
BASIC LAW, HOWEVER, PROVIDES FOR AN EXCEPTION TO THE
LIMITATION ON CREDIT THAT CAN BE TAKEN UP BY THE
FEDERATION "IF (THIS IS NECESSARY) TO AVERT A
DISTURBANCE OF THE OVERALL ECONOMIC EQUILIBRIUM."
IN ADDITION THE LEGISLATIVE HISTORY INDICATES THAT
THE GRANTING OF A LOAN COULD BE CONSIDERED AN
"INVESTMENT" AND THUS THE ARTICLE ON THAT BASIS
MIGHT BE INTERPRETED TO ALLOW AN INCREASE IN
CREDITS TAKEN UP BY THE FEDERATION IF THIS
IS BALANCED BY AN INCREASE IN INVESTMENT IN THE FORM
OF LOANS EXTENDED BY THE FEDERATION. FINALLY THE
ARTICLE PROVIDES THAT SPECIAL FUNDS -- SUCH AS THE
ERP FUND, ETC. --OF THE FEDERATION CAN BE EXEMPTED
FROM THE PROVISIONS OF ARTICLE 115 BY A FEDERAL LAW.
THE CONSTITUTIONAL PROVISIONS THUS ARE, IN OUR VIEW,

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 18771 02 OF 02 051245Z

44

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 ACDA-05 TRSE-00

SAJ-01 EB-07 OMB-01 CIEP-01 FEA-01 INT-05 FRB-01

NEA-06 /083 W

----- 089729

O R 051227Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 6641

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
AMEMBASSY STOCKHOLM
AMEMBASSY BERN
AMEMBASSY OSLO
AMEMBASSY MADRID
AMEMBASSY VIENNA
AMEMBASSY ANKARA
USMISSION EC BRUSSELS
USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 02 OF 02 BONN 18771

NOT AS GREAT AN IMPEDIMENT AS DIE WELT REPORTS.)
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 18771 02 OF 02 051245Z

DIE WELT CONCLUDES THAT THE CONSTITUTIONAL DIFFICULTY AGAINST INCREASED GERMAN GOVERNMENT BORROWING COULD BE AVOIDED BY AN ALTERNATIVE TO THE US PROPOSAL WHICH BONN MIGHT VIEW FAVORABLY, I.E., A SCHEME WHEREBY THE BIS WOULD ESTABLISH A FINANCING FACILITY, DERIVED FROM CREDITS EXTENDED BY OIL-PRODUCING COUNTRIES AND GUARANTEES BY BIS MEMBERS. BUT THE REALIZATION OF SUCH A PROPOSAL, THE PAPER ADDS, WOULD ALSO REQUIRE A LONGER PERIOD.

4. THE FRANKFURTER ALLGEMEINE ZEITUNG (FAZ), IN A LESS DRAMATIC COVERAGE OF THE SCHMIDT TRIP TO THE US, ALSO REFERS TO BONN'S SKEPTICISM VIS-A-VIS US PROPOSALS, BUT CITES THE FRG'S "AWARENESS OF THE (POLITICAL) NEED TO MEET THE AMERICANS' WISHES PART WAY." ACCORDING TO THE FAZ, BONN THUS IS PREPARED TO CONSIDER THE OECD PROPOSAL FOR A SIX TO EIGHT BILLION DOLLAR CREDIT FACILITY FOR ASSISTING BOP DEFICIT COUNTRIES THROUGH THE ENGAGEMENT OF THE BIS AS AN AGENT OF THE OECD. THE OECD MEMBERSHIP, AS AN ENTITY, WOULD PROVIDE THE GUARANTEES ON EXTENDED CREDITS, ALONG THE LINES OF THE "EUROLOAN" MODEL (EC CREDIT FACILITY).

5. COMMENT: THIS PRESS COVERAGE REPRESENTS THE FIRST PROMINENTLY PUBLISHED REPORTS OF OFFICIAL REACTION TO BOTH OUR CONSUMPTION RESTRAINTS AND MONETARY FACILITY PROPOSALS, CONFIRMING BONN'S SKEPTICISM RELATED TO EMBASSY OFFICERS BY FINANCE,

ECONOMICS, FOREIGN, AND CHANCELLORY OFFICIALS.

CASH

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, ENERGY, PETROLEUM, GOVERNMENT REACTIONS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN18771
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740353-0130
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741259/aaaabyie.tel
Line Count: 225
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2002 by shawdg>; APPROVED <28 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESS REPORTS ON NEGATIVE GERMAN REACTION TO LIMITED OFFICIAL USE
TAGS: ENRG, EFIN, GE, US, (KISSINGER, HENRY A)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005